



In the good old days, each market was open for five to six hours every week day. And traders used to trade in the pits. Now, almost all markets worldwide trade electronically, either fully or partially, with side-by-side floor hours. Along with that traders have equal access to information 24 hours a day and the opportunity to act on the information.

BY SAURAV ARORA

Exchanges, such as the CME, Eurex, Intercontinental Exchange, Singapore Exchange, etc., have provided access almost nonstop globally, and traders can invest in various products during their local hours.

The 24-hour markets give traders the convenience of taking a position or covering existing exposures quickly in case of a global event such as the [London bomb attacks](#) in 2007. This happened outside of traditional market hours in most parts of the world.

It also means that traders have the flexibility to choose when they want to trade, instead of having to force their schedules around old market hours. On the flip side, much can happen when one is sleeping but the markets are awake and running.

### GLOBAL PARTICIPATION

In 2008 and 2009, some of the major moves in financial markets emerged when U.S. markets and trading floors were closed. Markets move even when few traders are watching.

Formerly, proprietary trading desks at big banks or large firms would set up global desks and pass the order book more often than currently because local markets would close. Now with markets available 24 hours each day, there is no need to do that. Today a person in Australia can trade products in the U.S. during non-U.S. hours.

The extension of market hours has enabled participants to be matched with

# A TRADER'S

Trading goes beyond mere buying and selling. It is amazing, interesting and not worth missing! It is a game of psychology, reflexes, preparedness and striking a balance between the emotions of greed and fear. One has to be intelligent, alert and quick to grab opportunities that come his or her way.

### INTERCONNECTED

With markets trading 24 hours a day and being so interlinked with each other, one has to study every related market to be successful. This makes trading one market in isolation difficult today. Extensive fundamental and technical studies are a must for success.

### TOP DOWN

Successful traders begin their days by analyzing information from a macro level

counterparties around the world and given them the flexibility to trade their views any time they want.

Take, for example, the forex markets and the euro/dollar pair. That particular currency pair moves a great deal

# PERSPECTIVE >>>>>>>>

down to the micro so as to reach a conclusion about what they have to do that day. Determining when to execute the tasks is often figured out via technical analysis.

A blueprint of the day's expected trend, major fundamental changes (if any) that took place overnight and one's strategies for various situations that might arise during the day should be ready. The real expertise, though, lies in how one handles the situation when the market goes against one's expectations or plans.

A trader must be well-versed in the fundamental news and major events taking place around the globe, as these provide the triggers for market movements. Markets take directions based on these news events, but technical indicators are also important because they provide the entry and exit points. The application of fundamental and

technical analysis go hand in hand to ensure a successful trade.

## **ON THE SIDELINES?**

Another important consideration is whether one should trade at all. At times, the best trade is no trade. Top traders recognize such markets and stay out of them until they understand what is happening.

One should also try to divide the day into what to trade and when to trade according to the active trading hours of various markets.

Trading around the clock offers vast opportunities. But to accomplish all of the aforementioned tasks and be successful, it is important to give one's mind a break. When a trader is not actively trading, he or she should relax. This allows his or her focus to return when trading begins again.

during Japanese market hours—before Europeans or Americans log on to trade. The popularity of the euro/dollar is due to the fact that these are global products and not driven by local supply and demand needs.

## **ALTER THE APPROACH**

From a day trader's point of view, 24-hour markets indicate that one should look at extended charts instead of ones showing just regular trading-hours activity.

And those who are able to automate their strategies or use a system can capture market movements in the off hours. But position traders need to enter their stop-loss orders in the system, because traders do not know what is going to happen overnight when they are not monitoring activity.

Further, investors have to track and analyze more global data and events.

Around-the-clock trading has helped both the exchanges and the industry grow in the past decade. Volumes have risen considerably, ensuring that there is liquidity at any time.

This has led to better price discovery and efficient markets that trade continuously at the lowest possible bid-ask spread. However, there is lower comparative liquidity during nonmarket hours, which increases the impact cost for the trading community.

Traders probably need to have different strategies for traditional market hours and off hours, as well as alter position sizes accordingly. Big fund managers probably still use the pit hours for their order flow. But the important point to note is that the markets may move during the off hours enough to affect portfolios, hence it becomes important to monitor them.

## LONGER HOURS

Also, for professional traders located outside of Europe and North America,

this development has led to possibly longer or awkward working hours if they want to be in the market during peak hours when both the London and New York day markets are open.

This then leads to altering their social schedules and lifestyles to match the markets they trade. In turn, this could cause higher stress levels as conflicts between professional and personal lives arise.

If trading outside of their local markets and the associated hours becomes too stressful, traders can always return to participating in their domestic markets.

However, that may not be appealing, so traders must remember that weekends and vacations are designed to provide time to relax and not think about which direction markets might move. It is important to pursue hobbies, spend time with loved ones or travel during weekends to give one's mind a chance to refresh before markets open again.

As a professional trader, I am all for 24-hour markets—24/5 that is. I'm not so bullish about 24/7, though.

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